

HAY, STRAW & COMMODITY STORAGE PROGRAM

(Approved November 15, 2002)

(Amended December 17, 2004)



The following guidelines have been developed for the establishment of county hay, straw and commodity storage programs utilizing County Agricultural Development Funds.

This document provides program goals, eligible investments, and implementation guidelines for agencies seeking to initiate a local program. Guidelines are considered to be minimum standards by which a program

is to be implemented.

Questions concerning these guidelines should be directed to the Governor's Office of Agricultural Policy at (502) 564-4627. Application for funds must be directed through the local County Agricultural Development Council(s).

I. Program Goals

The goals of the program are to:

- Impact a high number of producers affected by loss of income resulting from cuts in tobacco quota
- Reach farmers who are not currently employing best practices related to hay, straw and commodity utilization and storage
- Increase the quality of stored feed and efficiency, which will increase hay value and the animal gain/ production:

Stored hay will maintain its nutritional value and provide hay producers opportunities to develop commercial hay sales. Providing producers that grow small grains storage facilities for straw will present opportunities to develop commercial straw sales.

- Enable grain producers to implement marketing strategies to capture a higher price for their grain than is possible by selling on the cash market during harvest
- Give livestock producers the ability to utilize grain grow on the farm.
- Give livestock producers the opportunity to invest in commodity or blended feed storage facilities:

The economic benefits of feed storage facilities will be the ability of farmers to purchase commodities or blended rations at bulk rates and improve livestock weight gains. Livestock producers will be able to implement or enhance feeding programs that will increase weight gains adding value to livestock thereby generating higher net returns.

II Eligible Cost Share Items

A. Hay & Straw Storage

1. Materials and construction of permanent hay sheds, pole barn or Quonset hut type hay/straw storage facilities.
2. Materials necessary to convert / retrofit existing structures for the sole purpose of hay/straw storage.
3. Labor documented by a numbered and dated receipt. Labor may be included with the cost of materials. Labor provided by the individual applicant is not an eligible cost-share item.

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being cost-shared.
- Producer must attend an educational session and provide a budget prior to receiving cost-share funds.

IMPORTANT: Hay & straw storage facilities must be used to store hay and straw only. Recipients of Agricultural Development Funds are required to retain ownership of facilities for at least five years.

B. Commodity Storage

1. Purchase of new or used grain or feed bins.
2. Repair, upgrade or modernization of existing grain or feed bins.
3. Repair, upgrade or modernization of drying and handling equipment that will increase efficiency, improve quality and/or add value to the grain.
4. Materials to construct a commodity storage facility.
5. Labor documented by a numbered and dated receipt. Labor may be included with the cost of materials. Labor provided by the individual applicant is not an eligible cost-share item.

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being cost-shared.
- Producer must attend an educational session and provide a budget prior to receiving cost-share funds.

III. Application Procedures

A. Guidelines for Local Agency Application for Program Administration

1. The local agency must be qualified and willing to administer the full responsibilities of the program. A tax identification number, a letter expressing a willingness to administer the program, and an indication of specific individuals that will be responsible for administering and reporting on the program must be included in the application.
2. Regional agencies may participate as grantees, if Agricultural Development Councils from the region concur. Regional grantees will be required to account for Agricultural Development Funds on a county-by-county basis and may spend County funds only in the County from whose account funds are drawn, unless the respective County Agricultural Development Council has agreed to fund an expenditure outside its county boundary.
3. The program administrator shall identify two co-signers for the purpose of signing checks and disbursing funds from the program's account. The program administrator shall indicate who they are and their position within the organization.
4. Either the fiscal agent or the individuals who sign checks for the program shall be bonded or appropriately insured at a level sufficient to cover the amount of the funds being administered. Documentation of bonding or appropriate insurance shall be submitted with the signed legal agreement.
5. The local agency must communicate in the application the activity and scope of existing related county programs that farmers can access through other agencies. Need for a new program must be clearly evident in the application.
6. The *County Model Program Application*, including cover sheet, must be submitted with a *County Priority Sheet* for new program requests. Requests for additional funds, within the 18-month term of the original agreement, require the *Application Cover Sheet* and the *County Priority Sheet*.
7. Agricultural Development Funds contributed to the program cannot exceed 50%, unless the program administrator or the County Council determines that a reduced match is needed for this program.

The Council may approve a reduction in the producer's cost-share for this program to an amount **no less than 25%**. This decision and the cost-share percentages shall be indicated on the *County Council Priority Sheet*, which is sent to the Agricultural Development Board with the application.

8. Counties shall place a dollar cap on the maximum cost share per producer [defined by Social Security Number (SSN) / Tax Identification Number (TIN) and Farm Serial Number (FSN)] for **Hay, Straw, and Commodity Storage** of up to **\$5,000** for the 18-month period from the execution date of the legal agreement between the administrator and the Agricultural Development Board.

9. There is a Lifetime Maximum of \$15,000 for this program. "Lifetime Maximum" means that **no producer, defined by Social Security Number (SSN) / Tax Identification Number (TIN) and Farm Serial Number (FSN), shall receive more than \$15,000 in this program, retroactive to the beginning of this program.**

Therefore, any producer who has already received a total of \$15,000 for this program is no longer eligible.

10. Any funds requested for administrative purposes shall not be used to replace the funding sources of existing or established salaries and positions. Program administration funds may be used for costs above and beyond normal duties and salaries that are associated with:
- Processing of producer payments;
 - Processing of producer applications;
 - Completion of program reporting forms;
 - Promotion of program availability;
 - Cost of bonding; and
 - Program compliance activities

One or more local agencies may combine administrative functions to create more efficient programs of grant administration.

11. The program administrator shall ensure that commingling of agricultural development funds does not occur. Therefore, the program's funds shall reside in a unique and separate bank account from any other account.

Administrators who are the fiscal agent for multiple counties may keep at a minimum one account per county. However, one account per program per county is preferred.

12. Local program sign-up and advertising shall not occur prior to the execution of the legal agreement between the program administrator and the Agricultural Development Board.
13. Attendance at an educational session is a prerequisite for producer participation in this program.

It is the responsibility of the program administrator to coordinate an educational session for interested participants. This educational session should be conducted by the Cooperative Extension Service and address Hay and Straw Utilization and Storage Methods, Grain Storage and Marketing Methods, and/or Feed and Nutrition.

B. Guidelines for Local Agency Administration

1. After receiving a copy of the executed agreement, there shall be a minimum of two consecutive weeks of advertising with applications being accepted no earlier than two weeks after the date of the first advertisement. This must occur for each sign-up period, if there is more than one sign-up during the duration of the grant agreement.

For example, when the administrator receives a copy of their executed agreement they may begin advertising for sign-ups. If the first advertisement runs January 15, then the first application may be taken January 29.

2. An advertisement must, at the very least, be prominently displayed in the county's newspaper where the most farmers will see it. A copy of the advertisement, which included the name and date of the newspaper, shall be submitted to the KADB staff.
3. The application and program promotion and communication plan should be outlined in the agency's application for Agricultural Development Funds. The application shall be submitted to and approved by the program administrator before the producer can receive reimbursement for any costs incurred.
4. A producer application for the program must be developed by the administrative agency. Award of cost-share funds shall be based upon evaluation criteria. The program administrator will review each application for completeness and score each application according to the evaluation criteria.

Suggested evaluation criteria may include, but not be limited to:

- a. Degree of applicant's tobacco-producing dependency
 - i. Applicant calculates their dependency by dividing their income from tobacco (sale or lease) by their total personal income
 - ii. Applicant provides the administrator with the percentage
- b. Percentage of personal income from farming
 - i. Applicant divides their gross farming income by their total personal income
 - ii. Applicant provides the administrator the percentage
- c. Quality of answers by the applicant of the following
 - i. Describe what problem this facility will eliminate
 - ii. Describe how cost-share on building this facility will improve your overall profitability
 - iii. Discuss any future changes you hope to make on your farm, or any goals you have for your operation and how this facility will help achieve them

5. In cases where there is a waiting list, it is recommended that extra points be part of the scoring system to ensure that those approved, but not receiving funds in the prior 18-month program, receive priority in the new program.

Applicants must indicate their intent to be considered in the new program, or their application will not be automatically rolled over into the new program for funding consideration.

6. Deadlines shall be established for producer application and reimbursement periods so producers have concrete timelines to implement the program. Should they fail to meet the deadlines for reimbursement, they must reapply to be considered for cost-share.
7. Approved producers must submit the Producer Report associated with the program/investments being cost-shared, before reimbursement funds are received.

These Producer Reports are for the Administrator to use in filling out both the quarterly and close-out reports for the program, and to maintain on-file.

8. The program shall be open to all county/regional producers and shall not be tied to participation in any organization.

Administrators shall not reject an application solely based on the applicant's residency, assuming funding is available and the application meets the program guidelines. Administrators shall accept an application if the applicant's farm is located in the county and the cost-share will be used in the county, even if the Farm Serial Number (FSN) is registered in another county.

9. Each individual/producer who receives \$600 or more shall be supplied an IRS form 1099 or equivalent tax accounting documentation. The program administrator is responsible for distributing the necessary tax information.
10. The program administrator may choose to include eligible model cost-share program expenses for reimbursement on a retroactive basis. However, this retroactive date shall not be more than 12 months prior to the producer's application for this program.
11. Program administrators shall be required to conduct random site visits.
12. Legal agreements between the program administrator and the Agricultural Development Board shall be for a term of 18-months from the execution date of the agreement. There will be no renewals or extensions of this agreement.
13. If funds set forth in the agreement between the Agricultural Development Board and the administrator are not completely utilized within the term of the legal agreement, then remaining funds, including interest, shall be returned to the Agricultural Development Board for redeposit into the county's account.

Checks should be made payable to the **Kentucky State Treasurer**.

14. Any and all interest earned on funds for this program shall be applied to this program. Any remaining funds, including interest income, shall be returned to the Agricultural Development Board for redeposit into the county's account at the end of the term of the agreement. All interest earned shall be reported on a quarterly basis.
15. **Reporting: Quarterly Reporting**, which includes the Model Program Summary and Program Quarterly Detail, is required of the program administrator. Reporting forms can be downloaded from http://agpolicy.ky.gov/funds/program_reporting.shtml. These reporting forms shall be submitted electronically to govkyagpolicy@ky.gov or a diskette mailed to Governor's Office of Agricultural Policy/404 Ann Street/Frankfort, KY 40601.

A **reconciliation report** is due 60 days after the term of the agreement. The reconciliation report includes, but is not limited to, the Model Program Summary and the Program Quarterly Detail for any payments made since the last submitted quarterly report. Also, copies of bank statements with check numbers and amounts shall be kept on file according to the legal agreement and presented in the event of an audit. Administrators shall maintain all administrative records for this program for a period of seven (7) years.

The **Close-out** of this agreement may occur when the above is completed and verified, and any programmatic data due from producers is submitted on the Close-out Data Report. This final close out may occur at a date beyond the reconciliation, depending on the program.
16. Model program guideline compliance and quarterly reporting of expenditures are essential to gauging the impact and continuity of the program. Therefore, county model programs may be audited on a random basis. The administrator shall produce all documents pertaining to individual producers who participate in this program, as well as other appropriate financial documents related to this program's account.
17. For this program, the program administrator is required to **distribute awards** to applicants in **two phases**:
 - a. 90% of approved funds shall be distributed after the program administrator receives and reviews paid receipts, certification of improvements / installation (this could be in the form of personal visits or photographs), and fulfillment of the producer's educational requirements.
 - b. The remaining 10% of approved funds shall be distributed after all other reporting requirements have been met. Therefore, documentation of applicant compliance is essential for successful program administration.

C. Guidelines for Producer Application Development by Local Agency

1. A producer application for the program shall be developed by the local agency. The application and program promotion and communication plan shall be outlined in the agency's application for funds under the model program.
2. The producer application must be signed and dated by the producer and must include a date/time stamp from the program administrator, as well as the initials of person logging in the application.
3. Postmarks or dated letters of application shall not override the stamp applied by the administrative body.
4. A producer application from an individual without a Tax ID (TIN) / Social Security (SSN) Number and Farm Serial Number (FSN) will be considered incomplete.

For all capital construction projects/improvements, the land owner **must** be the applicant.

5. The producer application shall clearly state all pertinent requirements, including evaluation criteria.
6. A statement regarding the understanding of requirements by the producer and verification of the producer's total cost-share awarded under this program shall be included with the application. The **Producer Certification Form** (Appendix A) must be included in the producer application for this program.

D. Producer Funding Guidelines

1. Fund distribution to producers will be on a reimbursement basis.

For this program, 90% of approved funds shall be distributed after the program administrator receives and reviews paid receipts, certification of the improvements / installation, and fulfillment of the producer's educational requirements.

2. The producer shall supply a numbered and dated receipt indicating buyer and seller information in order to be eligible for payment. Payment shall only be made for eligible cost-share items identified in Section II of these guidelines.
3. Producers who intend to take part in the program shall supply a Social Security (SSN) or Tax ID TIN) number and Farm Serial Number (FSN) to receive payment. Both of these numbers must be supplied to the Agricultural Development Board.

The Agricultural Development Board recognizes every applicant's right to privacy and understands it's obligation to keep applicant/producer information confidential. Any information provided to the Agricultural Development Board or Program Administrator on individual producer applications for model programs, such as the applicant's address and Social Security / Tax Identification Number, will be kept confidential by authority of the Agricultural Development Board as granted in KRS 248.701 to 248.727 and by KRS 61.878. The Agricultural Development Board does not disclose any nonpublic personal information regarding applicants/producers, past or present, except as permitted or required by the Kentucky Open Records Act, KRS 61.870 to 61.884 or other law(s).

4. Producers shall provide an annual report on the program and maintain ownership of the property for 5 years past the participation date in the program.
5. Should the producer fail to utilize funds by the program administrator's reimbursement deadline, said funds shall be reallocated to the next available application. Additionally, the producer must reapply to be considered for cost-share funds.
6. Producers shall retain adequate insurance coverage, if applicable, to replace any and all on-farm water enhancement systems funded with Agricultural Development Funds.
7. As a prerequisite for participation in this program, each producer is required to provide a budget and attend an educational session conducted by the Cooperative Extension Service in the area for each enterprise where assistance is being sought.
8. All approved applicants are required to provide reporting information to allow sufficient evaluation of program success.
 - a. Producers qualifying for **hay & straw storage improvements** shall provide information including, but not limited to:
 - i. Acres harvested
 - ii. Average yield in tons / acre
 - iii. Amount stored
 - iv. Commercial sales in tons (if applicable)
 - v. Number of animals and days fed (if applicable)
 - vi. Production information: Avg. daily gain, daily milk production (if applicable)
 - vii. Details of this system compared to previous methods
 - viii. Nutritional analysis is not required but is strongly recommended for hay*
 - b. Producers qualifying for **grain storage improvements** shall provide information including, but not limited to:
 - i. Acres of Grain
 - ii. Average yield
 - iii. Amount stored
 - iv. Average harvest price captured
 - v. Average price captured on stored grain
 - vi. Details of this system compared to previous methods

**This service can be obtained through the Kentucky Department of Agriculture by calling 1-800-248-4628.*

- c. Producers qualifying for **commodity storage improvements** shall provide information including, but not limited to:
 - i. Estimated tonnage of annual commodities or feed purchased as a result of investment in storage facilities
 - ii. Estimated dollar savings per ton as a result of investment in storage facilities

APPENDIX A**Producer Certification Form**

(Producer: Please retain a copy for your records. Administrator: Please keep with producer's application.)

The overall mission of the Agricultural Development Fund is to help the agriculture community diversify their agricultural operations and increase net farm income. To that end, Model Programs were developed to provide cost-share assistance to individual producers through a local program administrator. To judge the success and impact of these programs, as well as monitor the distribution of these funds, the Agricultural Development Board requires the below information. This information is required for a producer to receive funding.

All confidential information provided by the applicant shall be protected by the Agricultural Development Board and the County Agricultural Development Council, as outlined in the model program guidelines and the Kentucky Open Records Act, KRS 61.870 to 61.884.

Name:	
Farm Serial Number (FSN):	Social Security (SSN) / Tax ID (TIN) Number:
Farm Address:	
Farm County:	

Funds Received through This Model Program

Please list all funds received through the _____ (specify program)
model program by year in this or any other county.

2001: \$	2002: \$	2003: \$
2004: \$	2005: \$	Total Funds: \$

If this form is being used for the Cattle Genetics Improvement Program, then please list the number of bulls received, in addition to the above funding information.

of Bulls:

Note: Please refer to the model program guidelines for 12-month term maximums and lifetime program maximums.

I, _____, hereby certify that I have read all of the terms and requirements for this program and agree to follow the guidelines. I understand that I am required to provide all of the above information prior to participation in this program.

I also certify that I have not received funds for this model program from another county within the last 12 months.

I agree to use the funds I receive in the manner intended by the Agricultural Development Board and the Program Administrator. I further agree to provide copies of invoices, receipts, cancelled checks, etc. to the Program Administrator.

I will report the progress and results of these improvement practices and any resulting economic value to my operation.

Signature:	Date:
Name Printed:	